

AUDUBON HEALTH SERVICES  
Baton Rouge, Louisiana

AUDITED FINANCIAL STATEMENTS  
September 30, 2012



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## INDEPENDENT AUDITORS' REPORT

To the Board of Directors  
Audubon Health Services  
Baton Rouge, Louisiana

We have audited the accompanying statement of financial position of Audubon Health Services (a non-profit organization) as of September 30, 2012, and the related statement of activities and cash flows for the year then ended. These financial statements are the responsibility of the Organization's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

As explained in Note 1 to the financial statements Audubon Health Services does not capitalize and depreciate fixed asset acquisitions. In our opinion, accounting principles generally accepted in the United States of America require that such acquisitions be capitalized and depreciation expensed over the useful life of the asset. It was not practical to determine the effects of the unrecorded assets and depreciation expense.

In our opinion, except for the effects of not capitalizing and depreciating fixed asset acquisitions as discussed in the preceding paragraph, the financial statements referred to above present fairly, in all material respects, the financial position of Audubon Health Services as of September 30, 2012 and the changes in financial position, and cash flows for the year then ended in conformity with the accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated April 30, 2013, on our consideration of Audubon Health Services' internal control over financial reporting and on our test of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

Our audit was conducted for the purpose of forming an opinion on the basic financial statements. The schedule of expenditures of federal awards, as required by U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the basic financial statements as a whole.

TWRU

CPAs & Financial Advisors  
Baton Rouge, Louisiana  
April 30, 2013



TWRU  
CPAs & Financial Advisors

AUDUBON HEALTH SERVICES  
Baton Rouge, Louisiana

STATEMENT OF FINANCIAL POSITION  
September 30, 2012

ASSETS

CURRENT ASSETS:

Cash – General Fund	\$ 8,111
Cash – Administration	1,454
Reimbursement Receivable – La Department of Education	<u>59,643</u>
 TOTAL ASSETS (ALL CURRENT)	 <u>\$ 69,208</u>

See Accompanying Notes to Financial Statements



LIABILITIES AND NET ASSETS

## CURRENT LIABILITIES:

Cash Overdraft	\$ 14,256
Payroll Taxes Payable	1,758
Payable to Providers	<u>48,225</u>

TOTAL CURRENT LIABILITIES 64,239

## NON-CURRENT LIABILITIES:

Loan from Director	<u>6,604</u>
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TOTAL LIABILITIES 70,843

NET ASSETS (1,635)

TOTAL LIABILITIES AND NET ASSETS \$ 69,208

See Accompanying Notes to Financial Statements

AUDUBON HEALTH SERVICES  
Baton Rouge, Louisiana

STATEMENT OF ACTIVITIES  
For the Year Ended September 30, 2012

	CACFP Program	General Fund	Total
SUPPORT:			
Contributions	\$ -	\$ 1,907	\$ 1,907
Administrative	139,305	-	139,305
Program	669,800	-	669,800
 TOTAL SUPPORT	 809,105	 1,907	 811,012
 PROGRAM EXPENDITURES:			
Provider Payments	669,800	-	669,800
 TOTAL PROGRAM EXPENDITURES	 669,800	 -	 669,800
 ADMINISTRATIVE EXPENDITURES:			
Personnel Costs	116,975	-	116,975
Routine Travel	5,686	-	5,686
Training	1,470	-	1,470
Office/Operating Costs	21,606	-	21,606
Contract Costs - Accounting	-	-	-
Contract Costs - Other	1,822	-	1,822
Other Costs	2,564	-	2,564
Amounts Disallowed and to be Repaid to LDE		-	-
 TOTAL ADMINISTRATIVE EXPENDITURES	 150,123	 -	 150,123
 TOTAL EXPENDITURES	 819,923	 -	 819,923
 INCREASE IN NET ASSETS	 (10,818)	 1,907	 (8,911)
 NET ASSETS, BEGINNING OF YEAR	 -	 7,276	 7,276
 NET ASSETS, END OF YEAR	 \$ (10,818)	 \$ 9,183	 \$ (1,635)

See Accompanying Notes to Financial Statements

AUDUBON HEALTH SERVICES  
Baton Rouge, Louisiana

STATEMENT OF CASH FLOWS  
For the Year Ended September 30, 2012

CASH FLOWS FROM OPERATING ACTIVITIES:

Cash Received from Federal Sources	\$ 821,982
Cash Received from Contributions	2,017
Cash Paid to Providers	(681,748)
Cash Paid to Personnel	(111,907)
Cash Paid for Expenses	<u>(32,117)</u>

NET CASH USED BY OPERATING ACTIVITIES (1,773)

NET DECREASE IN CASH (1,773)

CASH, BEGINNING OF YEAR 11,338

CASH, END OF YEAR \$ 9,565

See Accompanying Notes to Financial Statements



AUDUBON HEALTH SERVICES  
Baton Rouge, Louisiana

NOTES TO FINANCIAL STATEMENTS  
September 30, 2012

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES:

Organizations and Nature of Activities - Audubon Health Services (the Sponsor) is a not for-profit organization located in Baton Rouge, Louisiana. The Sponsor provides administrative services for Family Day Care Home Program Providers in a five-parish area in Southern Louisiana.

The Child Care Food Program (CCFP) was enacted and maintained under Public Law 90-302 (May 8, 1968), 94-105 (October 7, 1975), 95-627 (November 10, 1978) and 95-35 (August 13, 1981). Public law 101-147 changed the name of the program to the Child and Adult Care Food Program (CACFP). The program is currently being administered under 7 CFR, Part 226. The program reimburses a subsidy to the Sponsor based on attendance records of the Providers.

Support - The Sponsor receives a grant subsidy from the Child and Adult Care Food Program for administrative and program reimbursements. Administrative reimbursements are a set dollar amount per participating provider. Program reimbursements are a set dollar amount per meal served to attending children at the participating providers. The grant contract period is one year in length and must be renewed annually.

Cash and Cash Equivalents - For purposes of the financial statements, cash includes all unrestricted funds in banks.

Allowance for Doubtful Accounts - The Sponsor considers accounts receivable to be fully collectible; accordingly, no allowance for doubtful accounts is required.

Capitalization and Depreciation - Equipment and furniture is expensed when purchased. No depreciation is calculated.

Estimates - The preparation of financial statements in conformity with generally accepted accounting principles requires the use of management's estimates.

Advertising Costs - It is the Sponsor's policy to expense advertising costs as incurred.

Income Taxes - The Sponsor is a non-profit organization as described in Section 501(c) (3) of the Internal Revenue Code and is exempt from federal and state income taxes.

NOTE 2 - REIMBURSEMENTS RECEIVABLE

Reimbursements Receivable represents the claim reimbursements due from the Louisiana Department of Education. No allowance has been set up. These amounts were received on October 26, 2012.

AUDUBON HEALTH SERVICES  
Baton Rouge, Louisiana

NOTES TO FINANCIAL STATEMENTS -2-  
September 30, 2012

NOTE 3 - RELATED PARTIES

In prior years the director loaned the general fund \$6,604 to cover transfers needed to operate the administrative account. As of September 30, 2012, the sponsor owed the director \$6,604. This loan is without interest and has no stated maturity.

During the prior year the director was reimbursed \$110 in error. This amount is shown as a current asset as it was repaid by the Director in November 2011 and the balance at September 30, 2012 was \$0.

NOTE 4 - LEASES

The Organization leases office space on a month to month lease for \$750 per month. In March 2012, the rent increased to \$770 per month. During the year the Organization paid \$9,140 in rent.

NOTE 5 - INCOME TAXES

The Organization adopted the recent accounting guidance related to accounting for uncertainty in income taxes, which sets out a consistent framework to determine the appropriate level of tax reserves to maintain for uncertain tax positions. The Project does not believe it has any uncertain tax positions at September 30, 2012.

With few exceptions, the statute of limitations for the examination of the Project's income tax returns is generally three years from the date of the tax return including extensions. The tax years open for assessment is the year ending on or after September 30, 2010.

NOTE 6 - SUBSEQUENT EVENTS

The Sponsor filed Form 990 for the year ended September 30, 2010 late and may be subject to late filing penalties and interest. Their CPA has written a letter requesting the penalties be abated.

Management has evaluated subsequent events through the date that the financial statements were available to be issued, April 30, 2013.

AUDUBON HEALTH SERVICES  
Baton Rouge, Louisiana

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
For the Year Ended September 30, 2012

Federal Grantor/Pass-Through Grantor/Program Title	Federal CFDA Number	Federal Expenditures
U.S. Department of Agriculture/ Child and Adult Care Food Program	10.558	\$819,923

NOTE A - BASIS OF PRESENTATION

The accompanying schedule of expenditures of federal awards includes the federal grant activity of Audubon Health Services, and is presented on the accrual basis of accounting. The information in this schedule is presented in accordance with the requirements of OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Because the Schedule presents only a selected portion of the operations of Audubon Health Services, it is not intended to and does not present the financial position, changes in net assets, or cash flows of Audubon Health Services.



REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON  
COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS  
PERFORMED IN ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS*

To the Board of Directors  
Audubon Health Services  
Baton Rouge, Louisiana

We have audited the financial statements of Audubon Health Services (a nonprofit organization), as of and for the year ended September 30, 2012, and have issued our report thereon dated April 30, 2013. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

**Internal Control Over Financial Reporting**

Management of Audubon Health Services is responsible for establishing and maintaining effective internal control over financial reporting. In planning and performing our audit, we considered Audubon Health Services' internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of Audubon Health Services' internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of Audubon Health Services' internal control over financial reporting.

Our consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control over financial reporting that might be significant deficiencies, or material weaknesses and therefore, there can be no assurance that all deficiencies, significant deficiencies, or material weaknesses have been identified. However, as described in the accompanying schedule of findings and questioned costs, we identified a certain deficiency in internal control over financial reporting that we consider to be material weaknesses and other deficiencies that we consider to be significant deficiencies.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. A material weakness is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. We consider the deficiency described in 2012-2 in the accompanying schedule of findings and questioned cost to be material weaknesses.

A significant deficiency is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance. We consider the deficiency 2012-1 described in the accompany schedule of findings and questioned costs to be a significant deficiency.

## Compliance and Other Matters

As part of obtaining reasonable assurance about whether Audubon Health Services' financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed an instance of noncompliance that is required to be reported under *Government Auditing Standards* and which is described in the accompanying schedule of findings and questioned costs as item 2012-1.

This report is intended solely for the information and use of the board of directors, management, others within the organization, the Louisiana Legislative Auditor, and federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

TWRU

CPAs & Financial Advisors  
Baton Rouge, Louisiana  
April 30, 2013



INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE WITH REQUIREMENTS THAT  
COULD HAVE A DIRECT AND MATERIAL EFFECT ON EACH MAJOR PROGRAM AND ON  
INTERNAL CONTROL OVER COMPLIANCE IN ACCORDANCE WITH OMB CIRCULAR A-133

To the Board of Directors  
Audubon Health Services  
Baton Rouge, Louisiana

**Compliance**

We have audited Audubon Health Services' compliance with the types of compliance requirements described in the *U. S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement* that could have a direct and material effect on each of Audubon Health Services' major federal program for the year ended September 30, 2012. Audubon Health Services' major federal program is identified in the summary of auditors' results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts and grants applicable to its major federal program is the responsibility of Audubon Health Services' management. Our responsibility is to express an opinion on Audubon Health Services' compliance based on our audit.

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about Audubon Health Services' compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination on Audubon Health Services' compliance with those requirements.

In our opinion, Audubon Health Services complied, in all material respects, with the requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended September 30, 2012. However, the results of our auditing procedures disclosed an instance of noncompliance with those requirements which are required to be reported in accordance with OMB Circular A-133 and which are described in the accompanying schedule of findings and questioned costs as Items 2012-1.

**Internal Control Over Compliance**

Management of Audubon Health Services is responsible for establishing and maintaining effective internal control over compliance with the requirements of laws, regulations, contracts, and grants applicable to federal programs. In planning and performing our audit, we considered Audubon Health Services' internal control over compliance with the requirements that could have a direct and material effect on a major federal program to determine the auditing procedures for the purpose of expressing our opinion on compliance and to test and report on internal control over compliance in accordance with OMB Circular A-133, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of Audubon Health Services' internal control over compliance.

A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, detect and correct noncompliance with a type of compliance requirement of a federal program on a timely basis. A material weakness in internal control over compliance is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis.

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be deficiencies, significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above. However, we identified a certain deficiency in internal control over compliance that we consider to be a significant deficiency as described in the accompanying schedule of findings and questioned costs as items 2012-1. A significant deficiency in internal control over compliance is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

Audubon Health Services' responses to the findings identified in our audit are described in the accompanying schedule of findings and questioned costs. We did not audit Audubon Health Services' responses and, accordingly, we express no opinion on the responses.

This report is intended solely for the information and use of the board of directors, management, others within the organization, and federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

TWRU

CPAs & Financial Advisors  
Baton Rouge, Louisiana  
April 30, 2013



AUDUBON HEALTH SERVICES  
Baton Rouge, Louisiana

SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
For the Year Ended September 30, 2012

Part I. Summary of Auditor's Results

*Financial Statements*

Type of auditor's report issued: Unqualified

- Material weakness(es) identified? ☒ yes ☐ no
- Significant deficiencies identified that are not considered to be material weaknesses? ☒ yes ☐ none reported

Noncompliance material to financial statements noted? ☒ yes ☐ no

*Federal Awards*

Internal control over major programs:

- Material weakness(es) identified? ☒ yes ☐ no
- Significant deficiencies identified that are not considered to be material weaknesses? ☒ yes ☐ none reported

Type of auditor's report issued on compliance for major programs: Unqualified

Any audit findings disclosed that are required to be reported in accordance with section 510(a) of Circular A-133? ☒ yes ☐ no

**Identification of major programs:**

CFDA Numbers

Name of Federal Program or Cluster

10.558

Department of Agriculture Child and Adult Care Food Program

- The threshold for distinguishing types A and B programs was \$300,000.
- Audubon Health Services does not qualify as being a low-risk auditee.



AUDUBON HEALTH SERVICES  
Baton Rouge, Louisiana

SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
For the Year Ended September 30, 2012

Part II Findings Relating to the Financial Statements Required to be Reported in Accordance with Government Auditing Standards

**Finding Reference Number 2012-1**

Condition:	The annual audit was not submitted to Louisiana Department of Education or Louisiana Legislative Auditor by the due date.
Criteria:	Regulations require an annual audit in accordance with Circular A133 be completed six months after year end.
Effect:	The Organization was 30 days late submitting the audit.
Cause:	The Organization had not reconciled bank statements and additional work was required before the audit could be started.
Recommendation:	Management should ensure that the books and records are ready for audit so that the audit can be completed and submitted to all parties by March 31 <sup>st</sup> of each year.
Auditor's Summary of Auditee's Comments:	Management will work together with its auditors to develop efficiencies in future years in order to avoid late submission of the annual audit. Management will engage and have the audit for the year ended September 30, 2013 started shortly after year end to ensure timely submission.

**Finding Reference Number 2012-2**

Condition:	Management had not reconciled bank accounts during the year
Criteria:	Management is responsible for designing and maintaining internal controls to prevent, detect and correct misstatements on a timely basis.
Effect:	Errors in recordings in the general ledger were not found until the audit was started.
Cause:	Management converted to QuickBooks for this year and had not received training on bank reconciliations.
Recommendation:	Management should ensure that the bank accounts are reconciled monthly.
Auditor's Summary of Auditee's Comments:	Management will work together with an accountant to learn how to reconcile bank statements in QuickBooks immediately and will get caught up and remain current on reconciliations in the future.

AUDUBON HEALTH SERVICES  
Baton Rouge, Louisiana

SCHEDULE OF PRIOR YEAR FINDINGS AND QUESTIONED COSTS  
For the Year Ended September 30, 2011

Part I. Summary of Auditor's Results

*Financial Statements*

Type of auditor's report issued: Unqualified

- Material weakness(es) identified? \_\_\_\_\_ yes      x   no
- Significant deficiencies identified that are not considered to be material weaknesses? \_\_\_\_\_   x   yes    \_\_\_\_\_ none reported

Noncompliance material to financial statements noted? \_\_\_\_\_   x   yes    \_\_\_\_\_ no

*Federal Awards*

Internal control over major programs:

- Material weakness(es) identified? \_\_\_\_\_ yes      x   no
- Significant deficiencies identified that are not considered to be material weaknesses? \_\_\_\_\_   x   yes    \_\_\_\_\_ none reported

Type of auditor's report issued on compliance for major programs: Unqualified

Any audit findings disclosed that are required to be reported in accordance with section 510(a) of Circular A-133? \_\_\_\_\_   x   yes    \_\_\_\_\_ no

**Identification of major programs:**

CFDA Numbers

Name of Federal Program or Cluster

10.558

Department of Agriculture Child and Adult Care Food Program

- The threshold for distinguishing types A and B programs was \$300,000.
- Audubon Health Services does not qualify as being a low-risk auditee.

AUDUBON HEALTH SERVICES  
Baton Rouge, Louisiana

SCHEDULE OF PRIOR YEAR FINDINGS AND QUESTIONED COSTS  
For the Year Ended September 30, 2011

**Part II Findings Relating to the Financial Statements Required to be Reported in Accordance with Government Auditing Standards**

**Finding Reference Number 2010-01a**

Condition:	The annual audit was not submitted to Louisiana Department of Education or Louisiana Legislative Auditor by the due date.
Criteria:	Regulations require an annual audit in accordance with Circular A133 be completed six months after year end.
Effect:	The Organization was late submitting the audit.
Cause:	The Organization had not had an audit requirement for past eight years and simply overlooked the requirement.
Recommendation:	Management should ensure that the books and records are ready for audit so that the audit can be completed and submitted to all parties by March 31 <sup>st</sup> of each year.
Auditor's Summary of Auditee's Comments:	Management will work together with its auditors to develop efficiencies in future years in order to avoid late submission of the annual audit. Management will engage and have the audit for the year ended September 30, 2012 started immediately.

**Finding Reference Number 2010-01b**

Condition:	The annual audit was not submitted to Single Audit Clearing House within nine months of year end.
Criteria:	Regulations require an annual audit in accordance with Circular A133 be completed six months after year end.
Effect:	The Organization was late submitting the audit.
Cause:	The Organization had not had an audit requirement for past eight years and simply did not plan timely for the requirement.
Recommendation:	Management should ensure that the books and records are ready for audit so that the audit can be completed and submitted to all parties by June 30 <sup>th</sup> of each year.
Auditor's Summary of Auditee's Comments:	Management will work together with its auditors to develop efficiencies in future years in order to avoid late submission of the annual audit. Management will engage and have the audit for the year ended September 30, 2012 started